

TOWN OF NEWELLTON, LOUISIANA

**Financial Report
As of and For the Year Ended June 30, 2017**

TOWN OF NEWELLTON, LOUISIANA

Financial Report As of and For The Year Ended June 30, 2017

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REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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HUFFMAN & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
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INDEPENDENT AUDITORS' REPORT

**Board of Aldermen
Town of Newellton
Newellton, Louisiana**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Newellton, Louisiana (the Town) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Board of Aldermen
Town of Newellton**

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Financial Condition of the Town

For the three years ending June 30, 2017, the Town's General Fund has incurred an average operating loss of approximately \$181,000 in each year. Offsetting those losses are transfers from the Utility Fund that totaled, on average, approximately \$166,000 resulting in the General Fund having an average loss for the past three years of approximately \$15,000 in its fund balance.

For the three years ending June 30, 2017, the Town's Utility Fund has incurred an average operating loss of approximately \$58,000 in each year. Average nonoperating income of \$31,000 offsets those losses to an average \$27,000 loss in each year. However, approximately \$166,000, on average, in transfers to the General Fund have resulted in decreases in net assets of approximately \$193,000 in each year. It should be noted that the \$193,000 average losses include an average of approximately \$145,000 in depreciation expense, a non-cash item in each of those years.

Should the Town continue using the current rates for its charges for services, at some point in the future, the Town will not have sufficient liquidity to operate.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the defined-benefit pension plans' schedule of employer's net proportionate share of net pension liabilities, and the schedule of employer's contribution to pension, and notes, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Prior-Year Comparative Information

We have previously audited the Town's 2017 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, business-type

**Board of Aldermen
Town of Newellton**

activities and each major fund in our report dated August 30, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The other supplemental information listed as Other Supplemental Information, Schedules 4 through 8 in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report August 30, 2018, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in assessing the results of our audit.



(A Professional Accounting Corporation)

August 30, 2018

**REQUIRED SUPPLEMENTAL INFORMATION
(PART A)**

**Town of Newellton
Newellton, Louisiana**

**Management's Discussion and Analysis
For the Year Ended June 30, 2017
(Unaudited)**

As management of the Town of Newellton, we offer readers of the Town of Newellton's financial statements this narrative overview and analysis of the financial activities of the Town of Newellton for the fiscal year ended June 30, 2017. It is designed to assist the reader in focusing on significant financial issues, identify changes in the Town's financial position, and identify material deviations and individual fund issues or concerns.

Financial Highlights

- The assets and deferred outflows of the Town of Newellton exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$4,081,833 (net position).
 - ✓ Of this amount \$4,241,382 represented a restriction equal to the net amount invested in land and depreciable assets.
 - ✓ The remaining \$159,549 represents an unrestricted net deficit.
 - ✓ The Town's total net position decreased by \$284,865.
- As of the close of the current fiscal year, the Town of Newellton's governmental fund reported an ending fund balance of \$29,764, a decrease of \$42,525 in comparison with the prior year. Of this total amount, \$23,043 is available for spending at the government's discretion (*unassigned fund balance*).

Overview of the Financial Statements

The MD&A is intended to serve as an introduction to the Town of Newellton's basic financial statements. The Town of Newellton's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town of Newellton's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Town of Newellton's assets, deferred outflows, liabilities, and deferred inflows with the difference between these items being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Newellton is improving or deteriorating.

**Town of Newellton
Newellton, Louisiana**

**Management's Discussion and Analysis
For the Year Ended June 30, 2017
(Unaudited)**

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Town of Newellton that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town of Newellton include general government, public safety and public works. The business-type activities of the Town of Newellton include water, sewer, and gas systems.

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Newellton, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Newellton can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Newellton maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund.

**Town of Newellton
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**Management's Discussion and Analysis
For the Year Ended June 30, 2017
(Unaudited)**

The Town of Newellton adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided on page 45 for the General Fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 16 through 19 of this report.

Proprietary funds. The Town of Newellton maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements can be found on pages 20 through 23 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 24 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the Town of Newellton's compliance with budgets for its major governmental fund.

Government-wide Financial Analysis.

The statement of net position and the statement of activities are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The statement of net position presents financial information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and changes in net position. Increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. In the case of the Town of Newellton, assets and deferred outflows exceeded liabilities and deferred inflows by \$4,081,833 at June 30, 2017. The combined net position decreased by \$284,865 between fiscal years 2017 and 2016.

Capital assets consisting of land, buildings, machinery and equipment and the water system, sewer system and gas system exceed the Town's unrestricted net position of (\$159,549). Capital assets (\$8,850,836), net of depreciation (\$4,609,454), total \$4,241,382. The Town of Newellton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The statement of net position and statement of activities reflect the Town's governmental activities (e.g., its basic service), such as general government, public safety, and public works. Property

Town of Newellton
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Management's Discussion and Analysis
For the Year Ended June 30, 2017
(Unaudited)

taxes, sales taxes, and state and federal grants finance most of these activities. Our analysis below focuses on the summary of net position (Table 1) and changes in net position (Table 2) of the Town's governmental and business-type activities and are as follows:

Table 1
Condensed Statement of Net Position
As of June 30, 2017 and 2016

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 81,559	\$ 110,294	\$ 253,627	\$ 296,777	\$ 335,186	\$ 407,071
Capital assets	741,725	826,685	3,499,657	3,641,966	4,241,382	4,468,651
Total assets	<u>823,284</u>	<u>936,979</u>	<u>3,753,284</u>	<u>3,938,743</u>	<u>4,576,568</u>	<u>4,875,722</u>
Deferred outflows of resources	<u>74,523</u>	<u>77,643</u>	<u>66,452</u>	<u>56,901</u>	<u>140,975</u>	<u>134,544</u>
Current and other liabilities	51,795	38,006	48,679	60,650	100,474	98,656
Long-term liabilities	200,849	210,443	265,168	242,120	466,017	452,563
Total liabilities	<u>252,644</u>	<u>248,449</u>	<u>313,847</u>	<u>302,770</u>	<u>566,491</u>	<u>551,219</u>
Deferred inflows of resources	<u>36,591</u>	<u>53,293</u>	<u>32,628</u>	<u>39,056</u>	<u>69,219</u>	<u>92,349</u>
Net investment in capital assets	741,725	826,685	3,499,657	3,641,966	4,241,382	4,468,651
Unrestricted	(133,153)	(113,805)	(26,396)	11,852	(159,549)	(101,953)
Total net position	<u>\$ 608,572</u>	<u>\$ 712,880</u>	<u>\$ 3,473,261</u>	<u>\$ 3,653,818</u>	<u>\$ 4,081,833</u>	<u>\$ 4,366,698</u>

The net position of the Town's governmental activities decreased 14.6% to approximately \$609,000. Net position of the Town's business-type activities decreased 4.9% to approximately \$3,473,000.

Changes in net position. The Town's total revenue decreased from the prior year by approximately \$8,000 to approximately \$844,000 (see Table 2 below). Approximately 77% of the Town's revenue comes from charges for services, and 21% comes from other general revenues.

The total cost of programs and services increased from the prior year by approximately \$1,500.

Governmental Activities

Revenues and transfers for the Town's governmental activities decreased approximately \$4,000 or 1% with the most significant changes being limited to the \$13,000 increase in charges for services which was offset by the \$10,000 decrease in operating grants and contributions. Total expenses increased by approximately \$6,000 or 1%. Expenses are classified by functions/programs. Public

Town of Newellton
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Management's Discussion and Analysis
For the Year Ended June 30, 2017
(Unaudited)

works accounts for approximately 39% or \$212,000, while general government and public safety account for approximately 33% and 28% or \$177,000 and \$152,000, respectively, for the fiscal year 2017.

Table 2
Changes in Net Position
Fiscal Years Ended June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues:						
Charges for services	\$ 87,900	\$ 74,680	\$ 554,379	\$ 565,193	\$ 642,279	\$ 639,873
Operating grants and contributions	19,440	29,160	5,751	-	25,191	29,160
Capital Grants and contributions	-	-	-	15,076	-	15,076
General Revenues:						
Property taxes	58,916	57,913	-	-	58,916	57,913
Sales taxes	50,990	43,850	-	-	50,990	43,850
Other taxes	2,212	2,464	-	-	2,212	2,464
Other general revenues	67,261	85,620	(3,128)	(21,947)	64,133	63,673
Transfers	149,875	146,800	(149,875)	(146,800)	-	-
Total revenues	<u>436,594</u>	<u>440,487</u>	<u>407,127</u>	<u>411,522</u>	<u>843,721</u>	<u>852,009</u>
Expenses						
General government	177,126	180,404	-	-	177,126	180,404
Public safety	151,632	136,884	-	-	151,632	136,884
Public works	212,144	217,518	-	-	212,144	217,518
Water, sewer, and gas expenses	-	-	587,684	595,329	587,684	595,329
Total expenses	<u>540,902</u>	<u>534,806</u>	<u>587,684</u>	<u>595,329</u>	<u>1,128,586</u>	<u>1,130,135</u>
Increase (decrease) in position	\$ <u>(104,308)</u>	\$ <u>(94,319)</u>	\$ <u>(180,557)</u>	\$ <u>(183,807)</u>	\$ <u>(284,865)</u>	\$ <u>(278,126)</u>
Net position - beginning of year	<u>712,880</u>	<u>807,199</u>	<u>3,653,818</u>	<u>3,837,625</u>	<u>4,366,698</u>	<u>4,644,824</u>
Net position - end of year	\$ <u><u>608,572</u></u>	\$ <u><u>712,880</u></u>	\$ <u><u>3,473,261</u></u>	\$ <u><u>3,653,818</u></u>	\$ <u><u>4,081,833</u></u>	\$ <u><u>4,366,698</u></u>

The related program revenues for fiscal year 2017 directly related to those expenses totaled approximately \$107,000, which resulted in net program expense of approximately \$434,000. The remaining balance of expenses represents the cost to the taxpayers. The costs of governmental activities exceeding restricted state and federal grants are paid primarily from the following sources:

Charges for services is the single largest source of revenue in total and accounts for \$88,000. For Governmental Activities, charges for services includes garbage pickup.

**Town of Newellton
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**Management's Discussion and Analysis
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(Unaudited)**

Property tax revenue of \$59,000 and sales taxes of \$51,000 are the single largest general revenue sources for the Town of Newellton.

Business-type activities

Charges for services is the single largest source of revenue and includes charges for water, sewer, and gas in the business-type activities.

Business-type activities decreased the Town of Newellton's net position by approximately \$181,000 for current year operations.

Revenues decreased approximately \$4,000 (1%) to \$407,000 and expenses of the Town's business-type activities decreased approximately \$8,000 (1%) to \$588,000.

Financial Analysis of the Government's Funds

As noted earlier, the Town of Newellton uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Town of Newellton's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Newellton's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of Newellton's governmental funds reported an ending fund balance of \$29,764, a decrease of \$42,525 in comparison with the prior year. Approximately 77% of this total amount (\$23,043) constitutes unassigned fund balance, which is available for spending at the Town's discretion. The remainder of fund balance (\$6,721) is nonspendable to indicate that it is not available for new spending because it has already been committed.

General Fund Budgetary Highlights

In accordance with Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA- R.S 39:1301 et seq), the Town of Newellton must adopt a budget for the General Fund prior to June 30. However, due to staff turnover, a budget was not prepared for fiscal year 2017.

Original budget compared to final budget. As previously stated, the Town did not adopt a budget due to staff turnover, nor was an amended budget prepared at a later date.

**Town of Newellton
Newellton, Louisiana**

**Management's Discussion and Analysis
For the Year Ended June 30, 2017
(Unaudited)**

Final budget compared to actual results. As previously stated, the Town did not adopt a budget due to staff turnover, nor was an amended budget prepared at a later date and therefore, a comparison between budget and actual is not possible.

Capital Asset and Debt Administration

Capital assets. The Town of Newellton's investment in capital assets for its governmental and business type activities as of June 30, 2017, amounts to \$4,241,382 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery, vehicles and equipment (See Table 3). There were no additions to capital assets in the current year. In addition, depreciation expense totaled \$227,267. Table 3 presents capital assets net of depreciation at June 30, 2017 and 2016.

**Table 3
Capital Assets
As of June 30, 2017 and 2016**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,000	\$ 1,000	\$ 19,650	\$ 19,650	\$ 20,650	\$ 20,650
Buildings	539,644	539,644	-	-	539,644	539,644
Vehicles	338,750	338,750	-	-	338,750	338,750
Furniture and equipment	37,811	44,896	182,493	182,493	220,304	227,389
Signage	8,750	8,750	-	-	8,750	8,750
Water system	-	-	2,736,842	2,736,842	2,736,842	2,736,842
Sewer system	-	-	2,876,473	2,876,473	2,876,473	2,876,473
Gas system	-	-	1,336,605	1,336,605	1,336,605	1,336,605
Streets and drainage	772,818	772,818	-	-	772,818	772,818
Total	1,698,773	1,705,858	7,152,063	7,152,063	8,850,836	8,857,921
Less: accumulated depreciation	(957,048)	(879,174)	(3,652,406)	(3,510,098)	(4,609,454)	(4,389,272)
Total Capital Assets	\$ 741,725	\$ 826,684	\$ 3,499,657	\$ 3,641,965	\$ 4,241,382	\$ 4,468,649

Long-Term Debt. The Town paid off its remaining bonds during fiscal year 2015 and has no other long-term debt except for its net pension liability of \$379,948.

Economic Factors and Next Year's Budgets and Rates

Factors considered in preparing the Town of Newellton's budget for the 2018 fiscal year revealed no major expected changes in the ad valorem tax base or sales tax collections as compared to prior year. Also, there were no major changes in expenditures budgeted.

Requests for Information

This financial report is designed to provide a general overview of the Town of Newellton's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Clerk, P O Box 477, Newellton, LA 71357 or by calling 318-467-5050.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF NEWELLTON
Newellton, Louisiana
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 65,825	\$ 43,545	\$ 109,370
Investments	-	118,396	118,396
Receivables	3,692	66,312	70,004
Due from other governmental units	5,321	-	5,321
Prepaid expenses	6,721	5,124	11,845
Capital assets, net	741,725	3,499,657	4,241,382
Investment in jointly owned gas operations and maintenance fund	-	20,250	20,250
Total assets	<u>823,284</u>	<u>3,753,284</u>	<u>4,576,568</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on pensions	74,523	66,452	140,975
Total deferred outflows of resources	<u>74,523</u>	<u>66,452</u>	<u>140,975</u>
LIABILITIES			
Accounts payable and accrued expenses	39,614	43,066	82,680
Payroll liabilities	12,181	5,613	17,794
Long-term liabilities			
Due in more than one year			
Deposits held	-	86,069	86,069
Net pension liability	200,849	179,099	379,948
Total liabilities	<u>252,644</u>	<u>313,847</u>	<u>566,491</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on pensions	36,591	32,628	69,219
Total deferred inflows of resources	<u>36,591</u>	<u>32,628</u>	<u>69,219</u>
NET POSITION			
Net investment in capital assets	741,725	3,499,657	4,241,382
Unrestricted (Deficit)	(133,153)	(26,396)	(159,549)
Total net position	<u>\$ 608,572</u>	<u>\$ 3,473,261</u>	<u>\$ 4,081,833</u>

The accompanying notes are an integral part of this statement.

TOWN OF NEWELLTON
Newellton, Louisiana

Statement of Activities
For the Year Ended June 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs						
Primary government						
Governmental activities						
General government	\$ 177,126	\$ -	\$ -	\$ (177,126)	\$ -	\$ (177,126)
Public safety	151,632	14,997	-	(136,635)	-	(136,635)
Public works	212,144	72,903	19,440	(119,801)	-	(119,801)
Total governmental activities	540,902	87,900	19,440	(433,562)	-	(433,562)
Business-type activity						
Utility operations	587,684	554,379	5,751	-	(27,554)	(27,554)
Total business-type activities	587,684	554,379	5,751	-	(27,554)	(27,554)
Total primary government	\$ 1,128,586	\$ 642,279	\$ 25,191	(433,562)	(27,554)	(461,116)
General revenues						
Taxes						
Ad valorem taxes				58,916	-	58,916
Sales taxes				50,990	-	50,990
Other taxes				2,212	-	2,212
Video poker				7,015	-	7,015
Licenses and permits				54,757	-	54,757
Interest earnings				138	493	631
Other				5,351	11,499	16,850
Loss from jointly owned gas operations and maintenance fund				-	(15,120)	(15,120)
Transfers in (out)				149,875	(149,875)	-
Total general revenues				329,254	(153,003)	176,251
Change in net position				(104,308)	(180,557)	(284,865)
Net position at beginning of year				712,880	3,653,818	4,366,698
NET POSITION AT END OF YEAR				\$ 608,572	\$ 3,473,261	\$ 4,081,833

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

TOWN OF NEWELLTON
Newellton, Louisiana
Governmental Funds
Balance Sheet
June 30, 2017

	<u>Major Fund</u> <u>General</u> <u>Fund</u>
ASSETS	
Cash	\$ 65,825
Receivables	
Other receivables	3,692
Due from other governmental units	5,321
Prepaid expenses	6,721
TOTAL ASSETS	\$ 81,559
LIABILITIES AND FUND EQUITY	
Liabilities	
Accounts payable	\$ 39,614
Payroll liabilities	12,181
Total liabilities	<u>51,795</u>
Fund equity	
Fund balance	
Nonspendable - prepaid expenses	6,721
Unassigned	23,043
Total fund balance	<u>29,764</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ 81,559

The accompanying notes are an integral part of this statement.

TOWN OF NEWELLTON
Newellton, Louisiana
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2017

Fund balance - total governmental funds	\$ 29,764
Amounts reported for governmental activities are not financial resources and, therefore, are not reported in the governmental funds:	
Governmental capital assets	\$ 1,698,773
Less: accumulated depreciation	<u>(957,048)</u>
	741,725
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Net pension liability	(200,849)
Deferred outflows for pensions are not reported in the governmental funds but are reported in the government-wide financial statements	
	74,523
Deferred inflows for pensions are not reported in the governmental funds but are reported in the government-wide financial statements	
	(36,591)
Net position of governmental funds	\$ <u>608,572</u>

The accompanying notes are an integral part of this statement.

TOWN OF NEWELLTON
Newellton, Louisiana
Governmental Funds
Statement of Revenues, Expenditures,
and Changes in Fund Balance
For the Year Ended June 30, 2017

	<u>Major Fund</u>
	<u>General</u>
	<u>Fund</u>
Revenues	
Taxes	
Ad valorem	\$ 58,916
Sales	50,990
Charges for services	72,903
Franchise Fees	16,647
Licenses and permits	38,110
Intergovernmental	
State	9,227
Local	19,440
Fines and forfeitures	14,997
Use of money and property	138
Other revenues	2,382
Total Revenues	<u>283,750</u>
Expenditures	
Current	
General government	176,250
Public safety-police	123,497
Public safety-fire	450
Public works	175,953
Total Expenditures	<u>476,150</u>
Excess (Deficiency) of Revenues over Expenditures	(192,400)
Other Financing Sources / (Uses)	
Transfers in	149,875
Total Other Financing Sources / (Uses)	<u>149,875</u>
Excess (Deficiency) of Revenues and Other Sources Over	
Expenditures and Other Uses	(42,525)
Fund Balance at Beginning of Year	<u>72,289</u>
FUND BALANCE AT END OF YEAR	<u><u>\$ 29,764</u></u>

The accompanying notes are an integral part of this statement.

TOWN OF NEWELLTON
Newellton, Louisiana

**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balance
of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2017**

Net change in fund balance - total governmental funds	\$ (42,525)
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Amount reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(84,959)
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The recognition of pension expense in the Statement of Activities is based on projected benefit payments discounted to actuarial present value and attributed to periods of employee service. Pension expenditures in the fund financial statements are the amounts that were paid during the year.

23,176

Change in net position of governmental activities	\$ <u>(104,308)</u>
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The accompanying notes are an integral part of this statement.

TOWN OF NEWELLTON
Newellton, Louisiana

Business-type Activities - Proprietary Fund
Statement of Net Position
June 30, 2017

	<u>Major Fund</u> <u>Enterprise Fund</u>
ASSETS	
Current assets	
Cash	\$ 43,545
Investments	118,396
Accounts receivable - net	66,312
Due from other funds	-
Due from other governments	-
Prepaid expenses	5,124
Total current assets	<u>233,377</u>
Capital assets	
Non-depreciable	19,650
Depreciable	7,132,413
Total capital assets	7,152,063
Accumulated depreciation	(3,652,406)
Net capital assets	<u>3,499,657</u>
Other assets	
Investment in jointly owned gas operations and maintenance fund	<u>20,250</u>
Total other assets	<u>20,250</u>
Total assets	<u>3,753,284</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows on pensions	66,452
Total deferred outflows of resources	<u>66,452</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	43,066
Payroll liabilities	5,613
Due to other funds	-
Total current liabilities	<u>48,679</u>
Noncurrent liabilities	
Customer deposits	86,069
Net pension liability	179,099
Total noncurrent liabilities	<u>265,168</u>
Total liabilities	<u>313,847</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows on pensions	32,628
Total deferred inflows of resources	<u>32,628</u>
NET POSITION	
Net investment in capital assets	3,499,657
Unrestricted	(26,396)
Total net position	<u>\$ 3,473,261</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF NEWELLTON
Newellton, Louisiana
Business Type Activity - Enterprise Fund
Statement of Revenues, Expenses, and Changes in
Net Position
For The Year Ended June 30, 2017

	<u>Major Fund</u> <u>Enterprise Fund</u>
OPERATING REVENUES	
Water sales	\$ 234,753
Gas sales	162,512
Sewerage fees	138,565
Plumbing fees	2,439
Penalties	16,110
Total operating revenues	<u>554,379</u>
OPERATING EXPENSES	
Bad debts	2,441
Computer consultants	5,090
Depreciation	142,309
Dues and subscriptions	2,312
Engineering	12,335
Gas purchases	76,632
Insurance - general	21,080
Legal and audit	36,905
Miscellaneous expenses	1,394
Office supplies	7,798
Postage	3,170
Salaries and related benefits	154,057
Supplies-plant	4,235
Supplies and expenses-gas	14,953
Supplies and expenses-sewer	15,154
Supplies and expenses-water	46,486
Telephone	9,579
Travel and meetings	4,023
Utilities	27,731
Total operating expenses	<u>587,684</u>
Operating income (loss)	(33,305)
NONOPERATING REVENUES (EXPENSES)	
Grants	5,751
Interest earnings	493
Loss from jointly owned gas operation and maintenance fu	(15,120)
Other nonoperating revenues	11,499
Total nonoperating revenue (expenses)	<u>2,623</u>
Income (loss) before operating transfers	(30,682)
OPERATING TRANSFERS	
Transfers out	(149,875)
Net transfers	<u>(149,875)</u>
Net income (loss)	(180,557)
Net Position beginning of year	3,653,818
Net Position end of year	<u>\$ 3,473,261</u>

The accompanying notes are an integral part of this financial statement.

Statement I

TOWN OF NEWELLTON
Newellton, Louisiana

Business-type Activity - Enterprise Fund
Statement of Cash Flows
For the Year Ended June 30, 2017

	<u>Major Fund</u> <u>Enterprise Fund</u>
Cash flows from operating activities	
Cash received from customers	\$ 551,045
Cash paid for employee services	(142,140)
Cash payments to suppliers for goods and services	(310,813)
Net cash provided by operating activities	<u>98,092</u>
Cash flows from noncapital financing activities	
Transfers to general fund from the utility fund	(149,875)
Net cash used by noncapital financing activities	<u>(149,875)</u>
Cash flows from investing activities	
Sale of investments	44,787
Receipt of other nonoperating proceeds	11,499
Interest received on investments	493
Net cash provided by investing activities	<u>56,779</u>
Net increase in cash	25,823
Cash at beginning of year	<u>17,722</u>
Cash at end of year	\$ <u><u>43,545</u></u>

(Continued)

The accompanying notes are an integral part of this financial statement.

Statement I

TOWN OF NEWELLTON
Newellton, Louisiana

Business-type Activity - Enterprise Fund
Statement of Cash Flows (Concluded)
For the Year Ended June 30, 2017

	<u>Major Fund</u> <u>Enterprise Fund</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating loss	\$ (33,305)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	142,309
Bad debt expense	1,965
Change in assets and liabilities	
Accounts receivable	(3,474)
Prepaid expenses	(4,501)
Accounts payable and accrued liabilities	(14,994)
Payroll liabilities	3,023
Customer deposits	(1,825)
Net pension liability	24,873
Deferred charges on pensions	(9,551)
Deferred inflows on pensions	(6,428)
Net cash provided by operating activities	\$ <u>98,092</u>
Supplemental disclosure of noncash investing, capital, and financing activities	
Loss from jointly owned gas operations and maintenance fund	\$ <u>15,120</u>
Decrease in the investment of the jointly owned gas operations and maintenance fund	\$ <u>(15,120)</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies

A. Financial Reporting Entity

The accompanying financial statements include all funds and account groups of the Town of Newellton, Louisiana (the Town). The accompanying financial statements of the Town have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Town consists of an executive branch of government headed by a mayor and a legislative branch of government consisting of five aldermen. The Town's major operations include police, street and drain maintenance, garbage and trash collection and administrative services. The Town also operates an enterprise fund to provide gas, sewerage and water services.

As the governing authority for the municipality, the Town is the reporting entity. The financial reporting entity consists of (a) the primary government (the Town), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

GASB Statement No. 61 established criteria for determining which component units should be considered part of the Town for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is accountability. These criteria include:

1. Appointing a voting majority of an organization's governing body and the ability of the Town to impose its will on that organization and/or the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town.
2. Organizations for which the Town does not appoint a voting majority but are fiscally dependent on the Town,
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature and significance of the relationship.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2017

Based on the foregoing criteria, the Public Housing Authority for the Town is not included as a component unit of the Town reporting entity. Although the governing board of the Public Housing Authority is substantially the same as that of the Town, the Town cannot impose its will on the Public Housing Authority nor does the Town have any fiscal responsibility for the Public Housing Authority.

The following is a summary of certain significant accounting policies and practices:

B. Basis of Presentation

The Town's basic financial statements consist of the government-wide statements on all of the activities of the government and the fund financial statements (individual major fund and combined non-major fund). The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units.

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities for all activities of the government. As a general rule, the effect of interfund activity has been removed from these statements. The government-wide presentation focuses primarily on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Governmental Activities represent programs which normally are supported by taxes and intergovernmental revenues.

Business-Type Activities are financed in whole or in part by fees charged to external parties for goods and services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. This includes dedicated resources such as a restricted property tax.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2017

Fund Financial Statements

The Town uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate.

Emphasis of fund reporting is on the major fund level in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column in the basic financial statements.

Funds are classified into three categories; governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types". Governmental funds are used to account for a government's general activities, where the focus of attention is on the provision of services to the public as opposed to proprietary funds where the focus of attention is on recovering the cost of providing services to the public or other agencies through service charges or user fees. Fiduciary funds are used to account for assets held for others. The Town's current operations require the use of governmental fund and proprietary fund categories. The fund types used by the Town are described as follows:

Governmental activities presented as Governmental Funds in the fund financial statements:

General Fund - This fund is the general operating fund of the Town. It is used to account for all financial resources of the Town except for those required to be accounted for in another fund.

Business-type activities presented as Enterprise Funds in the fund financial statements:

Enterprise Fund - This fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Enterprise funds are presented in the business-type activities column in government-wide financial statements and the major funds section

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2017

of the fund financial statements.

In accordance with the provisions of GASB Statement 20, the Town has elected not to apply FASB statements and interpretations issued after November 30, 1989, to proprietary activities unless they are adopted by the GASB.

Revenues:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). Measurable means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt which is recognized when due, and certain claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Ad valorem taxes attach as enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October of each year and are actually billed to the taxpayer in November. Billed taxes become delinquent on January 1 of the year following the year in which the taxes are due. Revenues from ad valorem taxes are budgeted in the year billed to the extent of collections expected. The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of Tensas Parish.

Sales taxes are considered "measurable" when in the hands of the intermediary collecting governments and are recognized as revenue at that time.

Interest earnings on time deposits are recognized as revenue when the time deposits have matured and the interest is available. Substantially all other revenues are recognized when actually received by the Town.

Operating revenues consist of taxes, fees for service provided, commissions for services, licenses and permits, intergovernmental revenues, fines and other miscellaneous revenues. All revenues not meeting the previously mentioned definitions are reported as non-operating revenues.

Expenditures and Expenses:

Expenditures in the governmental funds are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2017

Operating expenditures and expenses consist of amounts paid for wages and related benefits, contractual services, supplies used, equipment and facility maintenance and operations, and other items directly or indirectly required for the provision of services. All expenses not meeting the previously mentioned definitions are reported as nonoperating expenses and expenditures.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Proprietary Funds:

The Enterprise Fund is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Rates charged for services are as follows:

1. Water rates charged:
 - a. Residential customers are charged \$26.00 for the first 2,000 gallons of water and \$4.00 for each additional 1,000 gallons or fraction thereof.
 - b. Commercial customers are charged \$31.00 for the first 2,000 gallons used and then \$4.00 for each additional 1,000 gallons or fraction thereof.
2. Sewer rates charged:
 - a. Residential customers are billed \$14.20 for the first 2,000 gallons of water used. They are then billed \$3.34 for each additional 1,000 gallons or fraction thereof.
 - b. Commercial customers are charged \$18.46 for the first 2,000 gallons of water purchased. They are then charged \$3.34 for each additional 1,000 gallons or fraction thereof of water used.
3. Gas rates charged to customers are \$13.00 per 1,000 cubic feet of gas used.

C. Budgetary and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in these financial statements.

1. The proposed budget is submitted by the Town Clerk and the Mayor to the Board of Aldermen prior to July 1 of the ensuing year. Notice of the location and availability of the proposed budget for public inspection and the date of the public hearing to be conducted on the budget is then advertised in the official journal of the Town.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2017

2. After the public hearing, the budget is adopted by passing an ordinance approving the budget at the selected June board meeting.
3. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen.
4. All legally adopted budgets of the Town are adopted on a basis consistent with GAAP. A budget is adopted for the General Fund; encumbrance accounting is not used by the Town.

For the year ended June 30, 2017, the Town did not adopt a budget for the General Fund. The budget was not amended during the year.

D. Assets, Liabilities, and Fund Equity

Cash, Cash Equivalents, and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State law and the Town's investment policy allow the Town to invest in collateralized certificates of deposits, government backed securities, commercial paper, and state sponsored investment pool and mutual funds consisting solely of government backed securities. Deposits with original maturity dates exceeding 90 days are classified as investments. Investments are reported at fair value. The Town's investment policy is to only have certificates of deposit.

Interfund Receivables and Payables

Short-term cash loans between funds are considered temporary in nature. These amounts are reported as "due from/due to other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Capital Assets

Capital assets, which include land, buildings, other improvements, machinery and equipment, vehicles, furniture and fixtures, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

As permitted by GASB Statement No. 34, the Town has elected not to report infrastructure assets retroactively. Beginning with the year ended June 30, 2005, the Town began capitalizing infrastructure as expenditures when incurred.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2017

The accounting and reporting treatment applied to the capital assets associated with a particular fund is determined by the fund's measurement focus.

All purchased capital assets greater than \$1,000 are recorded at cost where historical records are available and at estimated cost where no historical records are available. Donated fixed assets are valued at fair market value at date of gift. Major additions are capitalized while maintenance and repairs that do not improve or extend the life of the respective assets are charged to expense. Interest is capitalized on funds used during construction of projects acquired with bond funds. No interest was capitalized during the year ended June 30, 2017.

Depreciation of all exhaustible fixed assets used by the enterprise fund is charged as an expense against its operations. Accumulated depreciation is reported in the proprietary fund balance sheet. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. Estimated useful lives are as follows (in years):

Water, Sewer and Gas Systems	50 – 99
Buildings	20 – 30
Equipment, Furniture and Vehicles	3 – 10
Signage	10
Infrastructure Streets and Drainage	15

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System, and additions to / deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expenditure until then. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town's deferred outflows and deferred inflows are resources related to pensions.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2017

Compensated Absences

The Town has no provision for vesting of vacation or sick leave. Consequently, the financial statements of the Town reflect no liability for compensated absences.

Restricted Net Position

For the government-wide statement of net position, net position is reported as restricted when constraints placed on net asset use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments.

Imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The Town does not have any such fund balances in the current fiscal year.

Fund Equity of Fund Financial Statements

GASB 54 *Fund Balance Reporting and Governmental Fund Type Definitions* requires the fund balance amounts to be reported within the fund balance categories as follows:

Non-spendable: Fund balance that is not in spendable form or legally or contractually required to be maintained intact. This category includes items that are not easily converted to cash such as prepaid expenses.

Restricted: Fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers such as federal or state regulations for future use or through enabling legislation and are, therefore, not available for future appropriation or expenditure. The Town does not have any such fund balances in the current fiscal year.

Committed: Fund balance that can only be used for specific purposes determined by the Town's highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit the funds. Committed fund balance is the result of either a policy of the Town or motions passed by the Board of Aldermen committing the funds. The Town does not have any such fund balances in the current fiscal year.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2017

Assigned: Fund balance that is constrained by the Board of Aldermen's intent to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by the Board. The Town does not have any assigned fund balances in the current fiscal year.

Unassigned: Fund balance that is the residual classification for the general fund. The Town has not established benchmarks for unassigned fund balance requirements.

The Board of Aldermen has not established a formal policy regarding the order of spending fund balances that are restricted, committed, or assigned. The Town's informal policy for the spending prioritization of fund balances is that restricted would receive top priority followed by committed. Assigned balances receive the least priority and would be authorized to be spent only if adequate funds were available. If expenditures incurred exceed the amount that have been committed or assigned to a specific purpose, amounts unassigned would be reduced to eliminate the deficit.

E. Electrical System Operating Agreement

On September 9, 1998, the Board of Aldermen of the Town authorized an operating agreement between the Town and Louisiana Power and Light (Entergy) for Entergy to operate the electric system within the corporate limits of the Town for a period of twenty-five years. The agreement provides that Entergy will pay to the Town two percent of total revenue collected from the sale of electric service to residential and commercial customers within the Town. Revenues under this agreement totaled \$15,096 for the year ended June 30, 2017.

F. Bad Debts

Uncollectible amounts for ad valorem taxes are generally not significant. As a result, the direct write-off method for recognizing bad debts is used. Under this method, the receivable is charged to expense when the account is deemed to be uncollectible. The Town uses the allowance method for recognizing bad debts for customers' utility receivables. An allowance of \$979 has been set up for the year ended June 30, 2017.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2017

H. Equity Investments

The Town has a 50% ownership in a jointly owned gas line (see Note 8) that is accounted for using the equity method. Under this method, investments are carried at cost and increased or decreased by the Town's share of earnings or losses.

Note 2 - Expenditures- Budget and Actual

The Town incurred a negative budget variance for total resources and charges to appropriations for fiscal year 2017. Total revenues and transfers in were not budgeted and therefore resulted in a negative variance of \$433,625 which is the amount of the actual revenues and transfers in (resources (inflows)). Total expenditures were not budgeted and therefore resulted in a negative variance of \$476,150 which is the amount of the actual expenditures (charges to appropriations (outflows)).

Note 3 - Cash and Investments

At June 30, 2017, the Town has cash and investments totaling \$227,766 with \$109,370 in demand deposits and \$118,396 in certificates of deposit.

Deposits are stated at cost, which approximates fair value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Interest rate risk – The Town's policy does not address interest rate risk.

Credit Risk – The Town's policy does not address credit risk.

Custodial credit risk – The custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy to ensure there is no exposure to this risk is to require each financial institution to pledge its' own securities to cover any amount in excess of Federal Depository Insurance Coverage. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent bank has failed to pay deposited funds upon demand.

At year-end, the Town's carrying amount of deposits, including cash equivalents was \$227,766 and bank balances of \$230,316, all of which is covered by federal depository insurance. Accordingly, the Town had no custodial credit risk related to its deposits at June 30, 2017.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2017

Note 4 - Accounts Receivable

Receivables are primarily composed of amounts due from residential customers living in the Town. Accounts receivable, net of allowance for doubtful accounts, are \$69,650 as of June 30, 2017 and are comprised of the following:

	General Fund	Utility Fund	Total
Accounts Receivable			
Franchise Fees	\$ 3,692	\$ -	\$ 3,692
Customer receivables	-	58,609	58,609
Less: Allowance for doubtful accounts	-	(789)	(789)
Other	-	8,492	8,492
Total	\$ 3,692	\$ 66,312	\$ 69,650

Note 5 - Due from Other Governments

At June 30, 2017, the Town has amounts due from other governments totaling \$5,321, all of which is reported in the General Fund where \$1,155 is due from the State of Louisiana for beer taxes and video poker proceeds. Another \$4,165 is due from the Concordia Parish School Board for sales taxes.

Note 6 - Interfund Transfers

During fiscal year 2017, the Utility Enterprise Fund transferred \$149,875 to the General Fund to cover where expenditures were exceeding revenues in the General Fund.

Transfers are used to (1) move revenues from the fund that is required by statute or budget to collect them to the fund that is required by statute or budget to expend them, (2) use unrestricted revenues collected in the General fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2017

Note 7 - Changes in Capital Assets

The following schedule presents changes in capital assets for the year ended June 30, 2017:

	Balance 6/30/2016	Additions	Deletions	Balance 6/30/2017
Governmental Activities				
Nondepreciable assets				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Total nondepreciable assets	1,000	-	-	1,000
Depreciable assets				
Building	53,218	-	-	53,218
Vehicles	338,750	-	-	338,750
Furniture and equipment	44,896	-	(7,085)	37,811
Fire station	486,426	-	-	486,426
Signage	8,750	-	-	8,750
Streets and drainage	772,818	-	-	772,818
Total depreciable assets	1,704,858	-	(7,085)	1,697,773
Less accumulated depreciation	(879,174)	(84,959)	7,085	(957,048)
Net governmental activities capital assets	\$ 826,684	\$ (84,959)	\$ -	\$ 741,725
Business-type activities				
Nondepreciable assets				
Land	\$ 19,650	\$ -	\$ -	\$ 19,650
	19,650	-	-	19,650
Depreciable assets				
Water system	2,736,842	-	-	2,736,842
Sewer system	2,876,473	-	-	2,876,473
Gas system	1,327,176	-	-	1,327,176
Gas pipeline	9,429	-	-	9,429
Service equipment	182,493	-	-	182,493
Total depreciable assets	7,132,413	-	-	7,132,413
Less accumulated depreciation	(3,510,098)	(142,308)	-	(3,652,406)
Net business-type capital assets	\$ 3,641,965	\$ (142,308)	\$ -	\$ 3,499,657

Detailed records of capital assets acquired prior to June 30, 1974, are not available. Estimation of the cost of these assets was made through examinations of bond and grant proceeds for construction and additions, and discussion with elected officials and long-time Town employees. All major proprietary fund asset additions have been made through bond and grant programs. Therefore, depreciation on these assets has been estimated at an amount consistent with that charged to operations in previous years.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2017

Depreciation on assets placed in service subsequent to June 30, 1974, has been calculated on the straight-line basis over their estimated useful lives. Depreciation of \$84,959 was charged to governmental activities as follows: General Government, \$4,827; Public Safety, \$27,685; and Public Works, \$52,447. Depreciation of \$142,308 as of June 30, 2017, was charged to expense in for utility operations.

Note 8 - Investment in Joint Gas Line

The Towns of Newellton and St. Joseph, Louisiana entered into a joint venture in 1954, called the Town of Newellton and the Town of St. Joseph, Louisiana Jointly Owned Gas Operations and Maintenance Fund (the Joint Gas Line) to provide natural gas to the two towns for resale to their citizens and approximately fifteen other customers in the service area.

The Boards of Aldermen and the Mayors of the two towns govern the Joint Gas Line but its accounting is handled by the Town of St. Joseph. Each of the Towns own 50% of the net worth of the joint venture. This amount is typically shown as an asset called Investment in Joint Gas Line.

Summary financial information for the joint venture at June 30, 2017, and for the year then ended, is as follows:

Total assets	\$ 49,909
Total liabilities	(9,409)
Total net position	<u>\$ 40,500</u>
Total receipts	\$ 12,683
Total disbursements	(42,923)
Net income (loss)	(30,240)
Net position, beginning of year	70,740
Net position (deficit), end of year	<u>\$ 40,500</u>

The Joint Gas Line issues an annual publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by visiting the Louisiana Legislative Auditor's website at www.la.la.gov.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2017

Note 9 - Ad Valorem Taxes

For the year ended June 30, 2017, ad valorem taxes of 21.590 mills were levied on property with assessed valuations totaling \$2,717,064 for general purposes.

Ad valorem taxes attach as enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October of each year and are actually billed to the taxpayer in November. Billed taxes become delinquent on January 1 of the year following the year in which the taxes are due.

The Town bills and collects its own property taxes using the assessed values determined by the assessor of Tensas Parish. At June 30, 2017, substantially all taxes have been collected.

Note 10 - Pension Plan-Municipal Employees' Retirement System of Louisiana (the System)

Plan Description

The Town of Newellton contributes to the Municipal Employees' Retirement System of Louisiana (System) which is a cost sharing multiple employer defined benefit pension plan. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan A.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System.

Any member of Plan A can retire providing the member meets one of the following criteria:

1. Any age with 25 years or more of creditable service.
2. Age 60 with a minimum of ten or more years of creditable service.
3. Under age 60 with five years of creditable service eligible for disability benefits.
4. Survivor's benefits require five years creditable service at death of member.
5. Any age with 20 years of creditable service, exclusive of military service with an actuarially reduced early benefit.

Generally, the monthly amount of the retirement shall consist of an amount equal to 3% of the employee's monthly average final compensation multiplied by his or her years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. The System also provides death and disability benefits. Benefits are established or amended by state statute.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2017

For the year ended June 30, 2017, the Town of Newellton's total payroll for all employees was \$319,635. Total covered payroll was \$197,384. Covered payroll refers to all compensation paid by the Town of Newellton to active employees covered by the Plan.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810, or by visiting the System's website www.mersla.com.

Contributions

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ended June 30, 2017, the actual employer contribution rate was 22.75% for Plan A, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations.

Under Plan A, members are required by state statute to contribute 9.50% of their annual covered salary. The contributions are deducted from the employee's wages or salary and remitted by the Town of Newellton to the System monthly. The Town's contributions to the System under Plan A for the year ending June 30, 2017 were \$44,905.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the Employer reported a liability of \$379,948 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Town of Newellton's proportion of the Net Pension Liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Town's proportion was 0.092700%, which was a decrease of 0.009387% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town of Newellton's recognized pension expense of \$55,002 plus employer's amortization of change in proportionate share and differences

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2017

between employer contributions and proportionate share of contributions, which was (\$63,668). Total pension expense for the Town of Newellton for the year ended June 30, 2016 was (\$8,666).

The Town of Newellton recognized revenue in the amount of \$5,617 for support provided by non-employer contributions.

At June 30, 2016, the Town of Newellton reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$12,011
Changes in assumption	13,831	-
Net difference between projected and actual earnings on pension plan investments	86,770	-
Changes in employer's portion of beginning net pension liability	-	57,208
Differences between employer contributions and proportionate share of employer contributions	(4,531)	-
Subsequent measurement contributions	44,905	-
Total	\$140,975	\$69,219

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$23,919
2018	\$23,919
2019	\$23,918

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2016, are as follows:

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.500%
Inflation rates	2.875%
Salary increases, including inflation and merit increases	5.000%

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2017

Annuitant and beneficiary mortality	For annuitant and beneficiary mortality tables used were RP-2000 Healthy Annuitant Sex Distinct Mortality Tables set forward 2 years for males and set forward 1 year for females projected to 2028 using scale AA.
Employee mortality	For employees, the RP-2000 Disabled Lives Mortality Table set back 2 years for both males and females.
Disabled lives mortality	For disabled annuitants, RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back 3 years for females.
Expected remaining service lives	3 years

Discount Rate

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity	50%	2.6%
Public fixed income	15%	1.8%
Alternatives	35%	0.8%
Totals	100%	5.2%
Inflation		2.50%
Expected arithmetic nominal return		7.60%

The discount rate used to measure the total pension liability was 7.50% for the years ended June 30, 2016. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2017

liability.

The effects of certain other changes in the net pension liability are required to be included in pension expense over the current and future periods. The effects on the total pension liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees), determined as of the beginning of the measurement period. The effect on net pension liability of differences between the projected earnings on pension plan investments and actual experience with regard to those earnings is required to be included in pension expense in a systematic and rational manner over a closed period of five years, beginning with the current period. The Expected Remaining Service Lives (ERSL) for 2016 is 3 years for Plan A.

Sensitivity of the Town of Newellton's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Newellton's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.5%) or one percentage-point higher (8.5%) than the current rate:

	1.0% Decrease (6.5%)	Current Discount Rate (7.5%)	1.0% Increase (8.5%)
Employer's proportionate share of net pension liability	\$482,988	\$379,948	\$292,028

Payables to the Pension Plan

These financial statements include a payable to the pension plan of \$4,981, which is the legally required contribution due at June 30, 2017. This amount is recorded in accrued expenses.

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued Municipal Employees' Retirement System of Louisiana Audit Report at www.mersla.com.

TOWN OF NEWELLTON
Newellton, Louisiana

Notes To Financial Statements
As of and For The Year Ended June 30, 2017

Note 11 - Risk Financing Activities

The Town is a participating member in the Louisiana Municipal Risk Management Agency's Group Self-Insurance Fund for Municipal Liability Risk Sharing and Group Self-Insurance Fund for Workmen's compensation and Employer Liability (the Agency). The Agency functions as a Public Entity Risk Pool formed to pool the risk of public liability exposure to its members. The Town insures its law enforcement officers' comprehensive liability and errors and omissions risk through its participation in the Agency pools. The coverage provided by the pools is subject to \$1,000 deductibles for certain coverage and provides coverage of up to \$500,000 for each type of insured risk. Premiums for coverage are retroactively rated based on experience and premiums are calculated based on the ultimate cost of the experience to date of the pool participants.

The Town's coverage had ended at the end of the policy period on May 1, 2016. The Town obtained coverage for its vehicle portion of its policy beginning on October 21, 2016. Remaining coverage for commercial general liability, errors and omissions and law enforcement began on November 16, 2016.

Note 12 - Subsequent Events

Management has evaluated subsequent events through August 30, 2018, the date which the financial statements were available to be issued and determined the following pending subsequent events occurred that requires disclosure:

In January of 2018, the funding for upgrading the Town's water treatment plant through an \$800,000 Louisiana Community Development Block Grant was approved. Construction is anticipated to begin in December of 2018.

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**REQUIRED SUPPLEMENTAL INFORMATION
(PART B)**

TOWN OF NEWELLTON
Newellton, Louisiana

General Fund
Budgetary Comparison Schedule (GAAP Basis)
(unaudited)

Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Positive (Negative)
	Original Budget	Final Budget		
Budgetary fund balance at beginning of year	\$ -	\$ -	\$ 72,289	\$ 72,289
Resources (inflows)				
Ad valorem taxes	-	-	58,916	58,916
Sales and other taxes	-	-	50,990	50,990
Charges for services	-	-	72,903	72,903
License and permits				
Franchise revenue	-	-	16,647	16,647
Occupational & other licenses	-	-	38,110	38,110
Intergovernmental revenue	-	-	28,667	28,667
Fines and forfeitures	-	-	14,997	14,997
Interest income	-	-	138	138
Miscellaneous	-	-	2,382	2,382
Total revenues	-	-	283,750	283,750
Transfers in	-	-	149,875	149,875
Total resources (inflows)	-	-	433,625	433,625
Amounts available for appropriations	-	-	505,914	505,914
Charges to appropriations (outflows)				
Current:				
General government	-	-	176,250	(176,250)
Public safety				
Police department	-	-	123,497	(123,497)
Fire department	-	-	450	(450)
Public works	-	-	175,953	(175,953)
Capital outlay	-	-	-	-
Total charges to appropriations (outflows)	-	-	476,150	(476,150)
Budgetary fund balance at end of year	\$ -	\$ -	\$ 29,764	\$ 29,764

Town of Newellton
Municipal Employee's Retirement System (Plan A)
Schedule of Employer's Share of Net Pension Liability
For the year ended June 30, 2017
(Unaudited)

Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability
2017	0.092700%	(379,948)	197,383	192.49%	62.11%
2016	0.102087%	(364,669)	165,595	220.22%	66.18%
2015	0.141518%	(396,559)	175,117	226.45%	73.99%

*Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.*

The amounts presented have a measurement date of the previous fiscal year.

Town of Newellton
Municipal Employee's Retirement System (Plan A)
Schedule of Employer's Contribution
For the year ended June 30, 2017
(Unaudited)

Year	Contractually Required Contributions	Contributions in Relation to		Employer's Covered Payroll	Contributions as a Percentage of Covered Employee Payroll
		Contractually Required Contributions	Contribution Deficiency (Excess)		
2017	44,905	44,905	-	197,383	22.75%
2016	32,705	32,705	-	165,595	19.75%
2015	34,586	34,451	135	175,117	19.67%

Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.

Notes to Required Supplementary Information
(Unaudited)

Change of Benefit Terms include:

The Board is authorized to provide changes in compensation.

Change of Assumptions

There were no changes of benefit assumptions for the year ended June 30, 2016.

OTHER SUPPLEMENTAL INFORMATION

TOWN OF NEWELLTON
Newellton, Louisiana
Schedules of Net Position - Enterprise Fund
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets		
Cash	\$ 43,545	\$ 17,722
Investments	118,396	163,183
Accounts receivable - net	66,312	64,803
Due from other governments	-	15,076
Due from other funds	-	-
Prepaid expenses	5,124	623
Total current assets	<u>233,377</u>	<u>261,407</u>
Capital assets		
Non-depreciable	19,650	19,650
Depreciable	7,132,413	7,132,413
Total capital assets	<u>7,152,063</u>	<u>7,152,063</u>
Accumulated depreciation	<u>(3,652,406)</u>	<u>(3,510,097)</u>
Net capital assets	<u>3,499,657</u>	<u>3,641,966</u>
Other assets		
Investment in jointly owned gas operations and maintenance fund	<u>20,250</u>	<u>35,370</u>
Total other assets	<u>20,250</u>	<u>35,370</u>
Total assets	<u>3,753,284</u>	<u>3,938,743</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on pensions	<u>66,452</u>	<u>56,901</u>
Total deferred outflows of resources	<u>66,452</u>	<u>56,901</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	43,066	58,060
Payroll liabilities	<u>5,613</u>	<u>2,590</u>
Total current liabilities	<u>48,679</u>	<u>60,650</u>
Noncurrent liabilities		
Customer deposits and customer prepayments	86,069	87,894
Net pension liability	<u>179,099</u>	<u>154,226</u>
Total noncurrent liabilities	<u>265,168</u>	<u>242,120</u>
Total liabilities	<u>313,847</u>	<u>302,770</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows on pensions	<u>32,628</u>	<u>39,056</u>
Total deferred inflows of resources	<u>32,628</u>	<u>39,056</u>
NET POSITION		
Net investment in capital assets	3,499,657	3,641,966
Unrestricted	<u>(26,396)</u>	<u>11,852</u>
Total net position	<u>\$ 3,473,261</u>	<u>\$ 3,653,818</u>

TOWN OF NEWELLTON

Newellton, Louisiana

Schedules of Revenues, Expenses, and Changes in
 Net Position - Enterprise Fund
 For The Years Ended June 30, 2017 and 2016

	2017	2016
Operating revenues:		
Water sales	\$ 234,753	\$ 230,662
Gas sales	162,512	176,580
Sewerage fees	138,565	138,254
Plumbing fees	2,439	2,859
Penalties	16,110	16,838
Total operating revenues	<u>554,379</u>	<u>565,193</u>
Bad debts	2,441	1,965
Computer consultants	5,090	4,454
Depreciation	142,309	143,352
Dues and subscriptions	2,312	2,317
Engineering	12,335	1,120
Gas purchases	76,632	61,383
Insurance - general	21,080	18,702
Legal and audit	36,905	51,698
Miscellaneous expenses	1,394	1,572
Office supplies	7,798	9,600
Postage	3,170	3,793
Salaries and related benefits	154,057	134,347
Supplies-plant	4,235	14,971
Supplies and expenses-gas	14,953	15,564
Supplies and expenses-sewer	15,154	26,325
Supplies and expenses-water	46,486	58,288
Telephone	9,579	7,955
Travel and meetings	4,023	3,612
Utilities	27,731	34,311
Total operating expenses	<u>587,684</u>	<u>595,329</u>
Operating profit (loss)	(33,305)	(30,136)
Nonoperating revenues (expenses):		
Grants	5,751	15,076
Interest earnings	493	750
Gain (loss) on disposition of assets	-	(838)
Income (loss) from jointly owned gas operations and maintenance fund	(15,120)	(25,718)
Other nonoperating revenues	11,499	3,859
Total nonoperating revenue (expense)	<u>2,623</u>	<u>(6,871)</u>
Income before operating transfers	(30,682)	(37,007)
Operating transfers:		
Transfers out	(149,875)	(146,800)
Net transfers	<u>(149,875)</u>	<u>(146,800)</u>
Net income (loss)	(180,557)	(183,807)
Net position beginning of year	<u>3,653,818</u>	<u>3,837,625</u>
Net position end of year	<u>\$ 3,473,261</u>	<u>\$ 3,653,818</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Schedules of Cash Flows - Enterprise Fund
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Cash received from customers	\$ 551,045	\$ 565,491
Cash paid for employee services	(142,140)	(139,849)
Cash payments to suppliers for goods and services	(310,813)	(287,296)
Net cash provided (used) by operating activities	<u>98,092</u>	<u>138,346</u>
Cash flows from noncapital financing activities:		
Transfers to general fund	(149,875)	(146,800)
Net cash used in noncapital financing activities	<u>(149,875)</u>	<u>(146,800)</u>
Cash flows from capital and related financing activities		
Grant received for repairs / acquisition of capital assets	20,827	-
Net cash provided by financing activities	<u>20,827</u>	<u>-</u>
Cash flows from investing activities		
Sale (Purchase) of short-term investments	44,787	(669)
Receipt of other nonoperating proceeds	11,499	3,858
Interest received on investments	493	750
Net cash provided by investing activities	<u>56,779</u>	<u>3,939</u>
Net increase (decrease) in cash	25,823	(4,515)
Cash at beginning of year	<u>17,722</u>	<u>22,237</u>
Cash at end of year	<u>\$ 43,545</u>	<u>\$ 17,722</u>

(Continued)

TOWN OF NEWELLTON
Newellton, Louisiana

Schedules of Cash Flows - Enterprise Fund (Concluded)
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating loss	\$ (33,305)	\$ (30,136)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	142,309	143,352
Bad debt expense	1,965	1,965
Change in assets and liabilities		
Accounts receivable	(3,474)	(987)
Prepaid expenses	(4,501)	193
Accounts payable and accrued liabilities	(14,994)	30,141
Payroll liabilities	3,023	(1,306)
Customer deposits	(1,825)	(680)
Net pension liability	24,873	3,675
Deferred charges on pensions	(9,551)	(30,476)
Deferred inflows on pensions	(6,428)	22,605
Net cash provided (used) by operating activities	\$ <u>98,092</u>	\$ <u>138,346</u>
Supplemental disclosure of noncash capital investing activities		
Income from jointly owned gas operations and maintenance fund	\$ <u>(15,120)</u>	\$ <u>(25,718)</u>
Change in the investment in the jointly owned gas operations and maintenance fund	\$ <u>(15,120)</u>	\$ <u>(25,718)</u>
Non-operating grants	\$ <u>-</u>	\$ <u>15,076</u>
Change in non-operating grants receivable	\$ <u>-</u>	\$ <u>(15,076)</u>
Gain (loss) on disposal of assets	\$ <u>-</u>	\$ <u>(838)</u>

TOWN OF NEWELLTON
Newellton, Louisiana

Compensation Paid Aldermen
For the Year Ended June 30, 2017

The schedule of compensation paid to Aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of Louisiana Legislature. Compensation of the Aldermen is included in general administration expenditures of the General Fund.

	<u>Compensation</u>
Edwin Britt	\$ 6,000
Ben Britton, Jr.	6,000
Richard Dunmore	3,000
Lavon Garner	6,000
Billy Mitchell	3,000
Mattie Sampson	<u>6,000</u>
	<u>\$ 30,000</u>

Schedule 8

Town of Newellton
Schedule of Compensation, Benefits and Other Payments to Agency Head
For the year ended June 30, 2017

Chief Executive Officer: Timothy Turner, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 14,400
Benefits-retirement contributions	3,276
Mileage reimbursements	1,153
Conference travel and registration fees	448
	<u>\$ 19,277</u>

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

HUFFMAN & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

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Katie Jacola, CPA
Lesley Engolia, CPA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Aldermen
Town of Newellton
Newellton, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund, of Town of Newellton, Louisiana (the Town), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated August 30, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, -described in the accompanying schedule of findings and questioned costs as Finding 2017-001 that we consider to be a material weakness.

**Town of Newellton
Newellton, Louisiana**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as Findings 2017-002, 2017-003, and 2017-004.

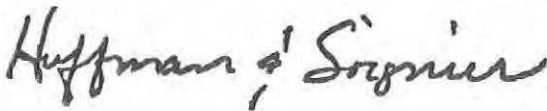
The Town's Response to Findings

The Town's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management of the Town, Federal awarding agencies and pass-through entities, and other entities granting funds to the Town and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in cursive script, reading "Huffman & Signier".

(A Professional Accounting Corporation)

August 30, 2018

**Town of Newellton
Newellton, Louisiana**

**Schedule of Findings
June 30, 2017**

2017-001 Internal Control over Financial Reporting and Operations

First Reported 2015

Criteria or Specific Requirement

Proper internal controls over financial reporting requires that accounting records contain up-to-date, accurate, and complete information to ensure that the financial data can be relied upon to monitor the financial condition of the entity. Financial records should be reviewed timely to supporting documentation to ensure that the transactions are properly recorded and classified in the accounting records.

Conditions Found

The Town's general ledger records are maintained on QuickBooks. A brief recap of changes to the Balance Sheet report line items is as follows:

Cash – The bank reconciliations are prepared by an outside CPA firm. However, the bank reconciliations and bank statements are not initialed by someone outside of the preparer.

Additionally, the Town employs two employees in Town Hall where each employee can collect checks and money orders (the Town has a “no cash” policy), operate out of the same drawer, update the billing software, prepare the deposit, and take the deposit to the bank. The Utility Clerk was not covered by a surety bond during the fiscal year and the Town Clerk was not covered for two of the twelve months.

Accounts Receivable for Services Provided – The Town originally reported a balance of \$71,373 for its water, gas, sewer and other miscellaneous amounts before negative adjustments of \$5,060 for a final reported balance of \$66,312. These adjustments were centered around the recording on a one-time receivable for \$8,492 and the reduction of other receivables by \$13,552.

Prepaid Expenses – The Town originally reported a balance of \$1,195 before net positive adjustments of \$10,650 for a final reported balance of \$11,845.

Accounts Payable – The Town originally reported a balance of \$74,448 before adjustments of \$8,232 for a final reported balance of \$8,232 largely due to one unrecorded invoice for \$3,381 and its three credit card ending balances of \$4,850.

Salaries and Benefits Payable – The Town originally reported a balance of \$20,193 before adjustments of \$3,216 for a final reported balance of \$23,409 largely due to not reflecting a portion of its June 2017 pension liability.

**Town of Newellton
Newellton, Louisiana**

**Schedule of Findings
June 30, 2017**

Customer deposits – The Town originally reported a balance of \$91,423 before adjustment of \$5,354 for a final reported balance of \$86,069.

Expenditures / Expenses – The Town did not allocate its workers comp expenses correctly between functions resulting in a correcting journal entry to increase the General Fund's public safety function by \$6,807, increase the public safety's function by \$7,038, increase to the Utility Fund's insurance expense by \$1,726 and to decrease the General Fund's general government function by \$15,571. The Town also did not correctly charge expenses related to one vendor for supplies and expense for water by \$16,737 which was instead incorrectly charged to supplies and expense for sewer.

Finally, the Town should employ a monthly review of the financial operation of the Town through a comparison of its actual data to its budgeted data which should result in more accurately reported balances.

Possible asserted effect (cause and effect)

Cause: The Town's new Town Clerk is new to this role with fiscal year 2017 being her first full year. Despite the items cited above, the new Town Clerk has greatly improved the accounting function of the Town.

Effect: The Town's records did not properly reflect the financial status of the Town and the Town Council was not informed of the Town's financial performance.

Recommendations to Prevent Future Occurrences

We recommend that end-of-month reconciled bank statements be initialed as being reviewed by the Mayor or a member of the Board of Aldermen on a timely basis.

The Town should better segregate duties where the Utility Clerk collects checks and money orders, updates the billing software, and prepares the deposit. The other employee can verify that the deposit slip agrees to the billing software summary report for that day and takes the deposit to the bank. The Utility Clerk can then receive the validated deposit slip and attach it to the supporting documentation. The Town should also ensure that employees that are in charge of financial activities are adequately covered by a surety bond.

The Town should ensure that customer accounts receivable and customer meter deposits accounts in QuickBooks are reconciled to the utility billing software on a monthly basis. Invoices should be reflected in the period that the service was provided to ensure that an appropriate reality is reflected in the reporting period, again, so the Board of Aldermen and management can respond appropriately.

**Town of Newellton
Newellton, Louisiana**

**Schedule of Findings
June 30, 2017**

Response

The Town will work adequately together to make the necessary improvements needed moving forward.

**2017-002 Late Submission of Audit Report to the Louisiana Legislative Auditor
First Reported 2013**

Criteria or Specific Requirement

Louisiana Revised Statute 24:513A (5)(a)(i) requires that "...audits shall be completed within six months of the close of the entity's fiscal year." The Town's audit report should be submitted to the Louisiana Legislative Auditor by December 31st of each year.

Condition Found

The Town's audit report for the fiscal year ending June 30, 2017 was not completed within the six month deadline as required by Louisiana Revised Statute 24:513A (a)(5)(i).

Possible asserted effect (cause and effect)

Cause: The auditing CPA firm did not re-engage until April 24, 2018 due to timing issues associated with the completion of another engagement. The Town did pursue other options before this date but no other firm was found that would be able to provide a final report earlier than the one proposed by the ongoing auditing firm.

Effect: Management did not comply with the requirements of Louisiana Revised Statute 24:513A (a)(5)(i).

Recommendations to Prevent Future Occurrences

The Town should continue to have its financial records available for audit by July 31 of each year and engage with a CPA firm as soon after year-end as possible.

Response

The Town anticipates being in compliance and ready to present any and all financial records needed for the June 30, 2018 reporting.

**Town of Newellton
Newellton, Louisiana**

**Schedule of Findings
June 30, 2017**

2017-003 Violations of Louisiana Local Government Budget Act

First Reported 2015

Criteria or Specific Requirement

A budget should be prepared annually in accordance with the applicable Louisiana Revised Statutes whereby the entity is in compliance with:

- | | |
|-----------------------------------|---|
| 39:1305 | Budget preparation |
| 39:1306 | Completion and submission of the proposed budget |
| 39:1307 | Public participation |
| 39:1308 | Inspection of the proposed budget |
| 39:1309 | Adoption |
| 39:1313 | Budget filing |
| 33:406 | Enactment, recording, and publication of ordinances and resolutions |
| and if necessary during the year: | |
| 39:1310 | Amending the budget |

And if a budget is not adopted:

- | | |
|---------|---|
| 39:1312 | Governing authority's failure to make appropriation |
|---------|---|

This revised statute requires if a budget is not adopted, "then fifty percent of the amounts appropriated in the appropriation ordinance or resolution for the last completed fiscal year shall be deemed reappropriated for the several objects and purposes specified in such appropriation ordinance or resolution".

Condition Found

The Town was in violation of the revised state statutes noted above due to its failure to prepare an original budget. An amended budget appears to have been prepared but was not adopted during a Town Council meeting.

Possible asserted effect (cause and effect)

Causes: The previous town clerk was terminated in May of 2016, at the time it would normally be expected to begin the budget process for the upcoming year. The new town clerk was unaware of the requirements of the revised statutes related to the budget.

Effects: Management did not comply with the requirements of Louisiana Revised Statutes 39:1306, 39:1307, 39:1308, 39:1309, 39:1313, 33:406, 39:1310, 39:1312.

Recommendations to Prevent Future Occurrences

Management should provide the new town clerk with the information needed to comply with the requirements of the Louisiana Local Budget Act.

**Town of Newellton
Newellton, Louisiana**

**Schedule of Findings
June 30, 2017**

Response

We will ensure that the Town Clerk has the necessary information to comply with the requirements of the Louisiana Local Budget Act.

2017-004 Violations of Louisiana Bid Law

First Reported 2017

Criteria or Specific Requirement

Louisiana Revised Statute 38:2212 requires that the "advertisement and letting to lowest bidder...".

Condition Found

The Town did not request bids for chemicals used in its operations during fiscal year 2017. Total payments to two vendors totaled \$51,704 which exceeds the \$30,000 threshold for requesting bids for materials and supplies.

Possible asserted effect (cause and effect)

Cause: The Town was not aware of the requirement.

Effect: The Town did not comply with the requirements of the Local Bid Law.

Recommendations to Prevent Future Occurrences

The Town should become more familiar with the requirements of the Local Bid Law and implement procedures to ensure compliance as necessary.

Response

The Town will better familiarize with the Local Bid Law so that in the future the correct procedures and compliances are followed.

TOWN OF NEWELLTON
Newellton, Louisiana

Summary Status of Prior Year Findings
For the Year Ended June 30, 2017

The following is a summary of the status of the prior year audit findings included in the Huffman & Soignier (APAC) audit report dated August 3, 2017 in connection with the audit of the financial statements of the Town of Newellton as of and for the year ended June 30, 2016.

2016-001 Condition of Accounting Records

Conditions Found

The Town's general ledger records are maintained on QuickBooks. A brief recap of changes to the Balance Sheet report line items is as follows:

Cash – The Town originally reported a balance of \$112,860 for its ten bank accounts before net negative adjustments of \$5,141 for a final reported balance of \$107,971. This decrease is a result of four checks that were shown as being voided but instead had cleared the bank. Additionally, during our audit of cash, we noted \$1,475 in travel expenses by the former Town Clerk that was not approved on the reimbursement request and another \$333 in travel expenses which did not have any backup.

Accounts Receivable for Services Provided – The Town originally reported a balance of \$82,090 for its water, gas, sewer and other miscellaneous amounts before negative adjustments of \$17,287 for a final reported balance of \$64,803. Most of this amount is composed of two items with \$7,635 had been recorded as payment for services but were utility deposits. Another \$7,913 is the result of not adjusting QuickBooks for corrections to the meter readings which were correctly reflected in the Town's utility billings software. Therefore, there is no reconciliation on a periodic basis of the customer deposits or the receivables shown on the utility billings software and QuickBooks.

Due from Other Governments – The Town originally reported a balance of \$22,986 before net positive adjustments of \$8,304 for a final reported balance of \$31,290. The Town recorded a \$9,720 receivable in error and did not record a \$18,024 in receivables for which the Town did collect after June 30, 2016.

Accounts Payable – The Town originally reported a balance of \$79,865 before adjustments of \$8,592 for a final reported balance of \$88,457 largely due to unrecorded invoices.

Customer deposits – The Town originally reported a balance of \$95,529 before adjustment of \$7,635 for a final reported balance of \$87,894. Similar to the receivables for services provided, the Town did not reconcile its customer deposits subsidiary account to its QuickBooks balance.

TOWN OF NEWELLTON
Newellton, Louisiana

**Summary Status of Prior Year Findings
For the Year Ended June 30, 2017**

Status

The Town discharged the employee from the Town on May 13, 2016. The new Town Clerk has been instrumental in making significant improvements of the Town's accounting function.

However, see Finding 2017-001.

2016-002 Late Submission of Audit Report to the Louisiana Legislative Auditor

Condition Found

The Town's audit report for the fiscal year ending June 30, 2016 was not completed within the six month deadline as required by Louisiana Revised Statute 24:513A (a)(5)(i).

Status

See Finding 2017-002

2016-003 Violations of Louisiana Local Government Budget Act

Condition Found

The Town was in violation of the Local Budget Act due to:

its failure to publish the notice of the public hearing at least ten days prior to the date of the first hearing; and

its failure to amend its budget when actual revenues are expected to not meet budgeted revenues by 5%. The Town's actual revenues of \$290,189 did not meet budgeted revenues of \$547,150 for a negative variance of \$260,161. Most of this variance was caused by the Town budgeting intergovernmental revenue at \$275,000 but only had \$42,650 in actual revenues. Most of this variance is offset by a positive variance in expenditures where actual expenditures were budgeted at \$671,625 versus \$453,624 in actual expenditures, a \$218,001 positive variance. Most of this positive variance is due to capital outlay being budgeted at \$200,025 but had actual expenditures of \$0.

Status

See Finding 2017-003.

TOWN OF NEWELLTON
Newellton, Louisiana

Summary Status of Prior Year Findings
For the Year Ended June 30, 2017

2016-004 Insurance Coverage

Condition Found

The Town did not have insurance coverage from May 1, 2016 to October 21, 2016 for its auto policy and from May 1, 2016 to November 16, 2016 for its commercial general liability, errors and omissions, and law enforcement officer policies.

Status

The Town obtained insurance coverage during fiscal year 2017 as required.

This finding is considered to be resolved.

HUFFMAN & SOIGNIER

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Town of Newellton
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Town of Newellton, Louisiana (the Town) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) *Budgeting*, including preparing, adopting, monitoring, and amending the budget
 - b) *Purchasing*, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) *Disbursements*, including processing, reviewing, and approving
 - d) *Receipts/Collections*, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

- e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
- g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
- h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results: The following exceptions were noted during the review of policies and procedures:

- a) ***Budgeting-*** There were no written policies and procedures that address budgeting.
- b) ***Purchasing-*** There were no written policies and procedures that address how vendors are added to the vendor list, preparation and approval process of purchase requisitions and purchase orders, controls to ensure compliance with public bid law, and documentation required to be maintained for all bids and price quotes.
- d) ***Receipts-*** There were no written policies and procedures addressing management's actions to determine the completeness of all collections for each type of revenue.
- e) ***Payroll/Personnel-*** There are no written policies and procedures that address approval of leave and overtime worked.
- f) ***Contracting-*** There were no written policies and procedures that address contracting.
- g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)-*** There were no written policies and procedures that address credit cards.
- h) ***Travel and expense reimbursement-*** There were no written policies and procedures that address travel and expense reimbursement.
- i) ***Ethics-*** There were no written policies and procedures that address ethics.

Management's Response:

The Town is currently working on preparing a policies and procedures manual.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.
 - c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Results: There were 12 exceptions related to procedure 2.b as none of the monthly meeting minutes for fiscal year 2017 contained references to monthly budget-to-actual comparisons. The Board is presented with a listing of expenses at each monthly meeting; however, the listing does not include budgeted amounts, and there is no reference to the listing in the minutes. It should be noted that a budget was not prepared during the fiscal year.

Management's Response:

The Town was not aware of the monthly budget to actual report that should have been prepared. Moving forward, there will be a monthly budget to actual report prepared and presented to the board.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: With respect to procedure 3.b, we noted 60 exceptions as none of the monthly bank reconciliations for the 5 bank accounts tested showed evidence of having been reviewed by a member of management/board member who is not involved in handling cash, posting ledgers, or issuing checks. Regarding procedure 3.c, we noted 3 exceptions where management had no documentation showing that items outstanding for more than 12 months from the bank statement closing date had been researched.

Management's Response:

Moving forward, the board members and the mayor will sign off on the monthly reconciliations.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection*

log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.
- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
- e) Trace the actual deposit per the bank statement to the general ledger.

Results: We noted 1 exception related to procedure 5.a. as the Town Clerk and Utility Clerk share the same cash drawer. However, it should be noted that the Town does not accept currency; rather, the only types of cash accepted are check and money order. Additionally, when a check/money order is presented for payment, it is immediately stamped, “For Deposit Only”, the stub is stamped “Paid” and initialed by the employee receiving the check/money order.

With respect to procedure 5.b, we noted one exception as the Town Clerk and Utility Clerk have the ability to collect cash and also prepare and make deposits—with no mitigating controls. Typically, the Utility Clerk collects the checks/money orders and will prepare the deposit slip. At the end of the day, the Utility Clerk will print the collections shown on the billing software which should agree to the deposit amount. The Town Clerk or the Mayor will typically take the deposit to the bank but the deposit is also subject to being taken to the bank by the Utility Clerk. No one specifically verifies that the utility billing system’s collections amount agrees to the deposit slip.

Regarding procedure 5.c, we noted 1 exception the Town Clerk and Utility Clerk each have the ability to collect cash and post collection entries to the general ledger—with no mitigating controls. With respect to procedure 5.d, we noted 1 exception as the Town Clerk has the ability to both reconcile cash collections to the general ledger and also collect cash.

With respect to procedure 6, we noted 2 exceptions as the Town Clerk was not bonded during the months of July 2016 & August 2016, and the Utility Clerk was not bonded during any of the months for fiscal 2017.

Regarding procedure 7.a, we encountered 3 exceptions as receipts were not sequentially pre-numbered. With respect to procedures 7.b and 7.d, we noted 2 exceptions (1 exception for each procedure) as the Town was unable to produce a complete listing of physical receipts to support the amount deposited. As such, we were unable to trace receipts to the deposit slip, and we were also unable to determine if the deposit was made timely (i.e., within 1 business day).

Management’s Response:

The Town has a box of receipts which are stamped and signed off upon receiving payments from each customer.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Results: Town Hall is the only location that processes disbursements. As such, this was the only location tested. With respect to procedure 9.a, we noted 1 exception. For smaller purchases (i.e., purchases falling below the required bid law thresholds), the Town Clerk and Utility Clerk each have the ability to call and place an order with a vendor without obtaining any kind of formal approval. Regarding procedure 9.c, we encountered 1 exception as the Town Clerk processes payments and also has the ability to add/modify vendor files—with no mitigating controls. With respect to procedure 9.d, we noted 1 exception as the Town Clerk processes checks and is also permitted to mail the checks. Regarding procedure 10, we tested 5 disbursements at Town Hall and noted 5 exceptions with respect to procedure 10.b, as there was no evidence to suggest that segregation of duties was present for the transactions tested.

Management's Response:

We will review these items and will update our procedures where possible.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Results: With respect to procedure 12.b, we noted 12 exceptions as 12 months were assessed late fees totaling \$388.

Management's Response:

Some of the credit card payments were late due to the lack of funds at the time of the due date. In the future, we will make payments on time to avoid late fees and interest charges.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
 - a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: With respect to procedure 14.a, we noted 5 exceptions as reimbursements for each of the 5 reimbursements tested exceeded LDOA & GSA standard rates. The total overpayment for all 5 transactions exceeded LDOA standard rates by \$44. Regarding procedure 14.d, we noted 1 exception where the person receiving the reimbursement also approved the reimbursement.

Management's Response:

The Town was not aware of the set rates by the State of Louisiana. Moving forward, the Town has made the necessary changes to the new mileage rate.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
 - a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results: With respect to procedure 15.a, we encountered 2 exceptions. The Town requested fax quotes from 2 vendors for materials and supplies; however, the purchases should have been bid as one purchase as the total amount paid to both vendors exceeded the bid threshold for materials and supplies. Regarding procedure 15.d, we encountered 1 exception as the amount per the vendor invoice exceeded the quoted price by \$8.

Management's Response:

The Town will make the necessary changes and follow procedures in the future accordingly.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Results: With respect to procedure 17.b, we encountered 3 exceptions as timecards for 3 employees tested showed no evidence of supervisory approval. It should be noted that leave does not accumulate and does not carry over into the next year.

Management's Response:

The cards and leave time will be noted, documented, and approved by a supervisor moving forward.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:
- Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Results: Regarding procedure 20.b, we encountered 5 exceptions as Town employees/officials did not attest by signature verification that they read the ethics policy. It should be noted that the Town does not have a written ethics policy.

Management's Response:

Moving forward, we will make adjustments as necessary.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Results: This control and compliance area was not applicable to the Town for fiscal year 2017 as the Town does did not have any bonded debt/notes during fiscal 2017.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: There were no exceptions noted as a result of applying agreed-upon procedures.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

A handwritten signature in cursive script, reading "Huffman & Sogner".

(A Professional Accounting Corporation)
Monroe, Louisiana

August 30, 2018